

**CITY OF SHOREVIEW
MINUTES
REGULAR CITY COUNCIL MEETING
October 17, 2011**

CALL TO ORDER

Pursuant to due call and notice thereof, a regular meeting of the Shoreview City Council was called to order by Mayor Martin on October 17, 2011, at 7:00 p.m.

PLEDGE OF ALLEGIANCE

The meeting opened with the Pledge of Allegiance to the flag.

ROLL CALL

The following members were present: Mayor Martin; Councilmembers Huffman, Quigley, and Wickstrom.

Councilmember Withhart was absent.

APPROVAL OF AGENDA

MOTION: by Councilmember Wickstrom, seconded by Councilmember Huffman to approve the October 17, 2011 agenda as submitted.

ROLL CALL: Ayes - 4 Nays - 0

PROCLAMATIONS AND RECOGNITIONS

There were none.

CITIZEN COMMENTS

There were none.

COUNCIL COMMENTS

Mayor Martin:

There are two weeks remaining for the Farmers' Market on Tuesday afternoons from 3:00 to 6:00 p.m. On the last Tuesday, October 25th, the City will be handing out pumpkin bars.

Councilmember Quigley:

Reported about a real estate forum that was held at City Hall on Wednesday, October 12, 2011. Realtors, public safety personnel, school district representatives and the City's Community Survey Coordinator, Bill Morris, were in attendance. Housing initiatives were discussed. It was a positive session.

PUBLIC HEARING

**PROPOSED ECONOMIC DEVELOPMENT ASSISTANCE (BUSINESS SUBSIDY) FOR
DPS - SHOREVIEW, LLC/STONEHENGE USA FOR RED FOX ROAD RETAIL
PROJECT - AUTHORIZING THE EXECUTION OF A DEVELOPMENT
AGREEMENT FOR TAX INCREMENT FINANCING**

Presentation by Asst. City Manager/Community Development Director Tom Simonson

Approval for economic development assistance to facilitate a commercial project on Red Fox Road by Stonehenge USA is requested. The proposed development is to bring new retail services and restaurants to the City. The public hearing is required by state law to consider a business subsidy for economic development assistance. A tax increment development agreement is also submitted for approval.

The financial assistance will support quality high-end retail uses. The proposed assistance would come from existing tax increment funds in TIF District No. 5. There will be a balance of approximately \$1.6 million at the end of 2011 in TIF District No. 5. No new tax increment financing (TIF) district would be created, which means that property taxes will be generated upon completion of the project. This proposal uses the special authority granted by the legislature to pool TIF resources for economic development and job creation by July 1, 2012. After termination of the special authority, TIF District No. 5 would revert to the old restriction of 20% use of excess revenues. Therefore, it is to the City's benefit to maximize use of these funds before July 1, 2012.

The total TIF financing proposal is \$1.345 million. Phase One is the Retail Center, and \$845,000 would be used for infrastructure and site improvements, including improvements along Red Fox Road. Payment would be made after completion of the retail center. An additional incentive is being offered to the developer for \$500,000 for Phase Two, if the City's preferred specialty market anchor is secured. The City has sole discretion to determine whether Phase Two assistance depending on whether the secured anchor is acceptable to the City. As in Phase One, payment would be made at the completion of Phase Two development. The City will also receive additional revenue from a revenue-sharing agreement resulting of the relocation of a new dynamic billboard that will be relocated to another portion of the site.

The Economic Development Authority (EDA) has reviewed the proposal and financing plan and recommends approval.

Public Hearing

City Attorney Filla stated that he has reviewed the affidavits that contain the required information, and the public hearing is in order at this time.

Mayor Martin opened the public hearing at 7:14 p.m. There were no comments or questions.

MOTION: by Councilmember Wickstrom, seconded by Councilmember Huffman to close the public hearing at 7:14 p.m. in consideration of a proposed business subsidy utilizing temporary tax increment authority to provide economic development assistance to DPS Shoreview, LLC (Stonehenge USA) for the Red Fox Road Retail Project.

VOTE: Ayes - 4 Nays - 0

MOTION: by Councilmember Huffman, seconded by Councilmember Quigley to adopt Resolution No. 11-76, approving the business subsidy utilizing temporary tax increment authority for economic development assistance to DPS-Shoreview, LLC (Stonehenge USA) for the Red Fox Road Retail Project and authorize the execution of a TIF Development Agreement in accordance with the terms and conditions outlined.

Discussion:

Councilmember Wickstrom asked for further explanation of the financing resource for this project and payback to the City. Mr. Simonson explained that the funds are from TIF District originally established for SummerHouse Senior Housing project in the late 1990s and Shoreview Mall. Shoreview Mall redevelopment did not occur, and Presbyterian Homes has not met the threshold for obtaining the tax increment from the City. Therefore, these tax increments have been accumulating. Under the existing rule, 20% of the fund balance could be pooled for other purposes. Under the special authority granted by the legislature, cities are allowed to pool the funds at the full balance level for development. It is estimated that for a \$500,000 contribution on the part of the City would be repaid in taxes within 10 years.

Councilmember Wickstrom asked when TIF District No. 5 would expire. Her concern is that the benefits from this development do offset the investment by the City. Mr. Simonson answered in a couple of years. A benefit to the City is that no new TIF District is being created, so that property taxes generated from the development goes directly to the various levels of government.

Mayor Martin added that cities have few tools to support and encourage business development. Tax increment is the only tool at this time. Shoreview was among those cities recommending that the legislature extend authority to pool funds for development.

Councilmember Quigley noted that three of the EDA members are Councilmembers and have extensively reviewed the proposal.

Councilmember Huffman added that this project is a win because there is immediate payback when the development is added to the tax rolls. It is a good fit for Shoreview.

ROLL CALL: Ayes: Huffman, Quigley, Wickstrom, Martin
 Nays: None

GENERAL BUSINESS

FINAL PLAT AND FINAL STAGE PLANNED UNIT DEVELOPMENT (PUD), DPS SHOREVIEW, LLC/CITY/COUNTY CREDIT UNION RED FOX ROAD/LEXINGTON AVENUE

Presentation by City Planner, Kathleen Nordine

Approval is requested for the Final Plat, Final Stage PUD and the necessary agreements. The property consists of two parcels on 6.6 acres located on Red Fox Road along I-694. The proposed retail center would be developed in three phases: 1) a retail center of 10,034 square feet; 2) a specialty market of 14,000 square feet; and 3) additional commercial development.

The Final Plat would plat the property into four parcels. Storm water management facilities would be located on Outlot A. Drainage and utility easements are required as well as an additional 10 feet of road right-of-way for Red Fox Road for future road improvements. Plans do comply with the preliminary approvals given for this projects, and the several Development Agreements required have been drafted: Master Site Agreement for site preparation and prohibited uses; Revenue Sharing Agreement in regard to relocation of the billboard and an amendment to the City's sign regulations to allow the billboard on a new site. The City will receive an annual payment of \$10,000, with a 3% increase in 2014. In 2023, the annual payment to the City will be \$20,000 with an annual 3% increase. Also, an Operating Agreement is required establishing permit terms for the billboard. Advertising content on the billboard will be controlled by corporate practice.

Staff is recommending approval of the Final Plat and Final PUD with the conditions listed in the staff report.

Mayor Martin asked if tobacco advertising is restricted. Ms. Nordine answered yes in accordance with company policies.

Councilmember Wickstrom verified that the increased road right-of-way on Red Fox Road will mean enough space for a sidewalk.

MOTION: by Councilmember Wickstrom, seconded by Councilmember Huffman to approve the Final Plat and Final Stage - Planned Unit Development, submitted by DPS-Shoreview, LLC, for a phased mixed-use retail development consisting of a 10,034 square foot retail center, 14,000 square foot market (grocery), and a 3,800 square foot commercial building located on Red Fox Road, east of Lexington

Avenue, including the Development, Erosion Control and Revenue Sharing Agreements, subject to the following conditions:

1. Approval of the construction plans is required by the Public Works Director, Building Official and City Planner prior to the issuance of a grading or building permit for this development.
2. Execution of the Development Agreements, including the Erosion Control Agreement, is required prior to the release of the Final Plat.
3. Execution of the Operating Agreement is required prior to the issuance of a building or grading permit for the development.
4. The applicant shall obtain permits from Rice Creek Watershed District, Minnesota Department of Transportation and other agencies as needed prior to the City's issuance of a grading or building permit.
5. These approvals expire within one year of the date approved by the City Council.

ROLL CALL: Ayes: Quigley, Wickstrom, Huffman, Martin
 Nays: None

MOTION: by Councilmember Huffman, seconded by Councilmember Quigley to approve the Operating Agreement with Clear Channel and DPS-Shoreview, LLC for the construction of a Dynamic Display Billboard located on Outlot A as identified in the plan submittal by DPS-Shoreview, LLC for the Stonehenge Shoreview Retail Center.

ROLL CALL: Ayes: Wickstrom, Huffman, Quigley, Martin
 Nays: None

ADJOURNMENT

MOTION: by Councilmember Huffman, seconded by Councilmember Quigley to adjourn the meeting at 7:35 p.m.

ROLL CALL: Ayes - 4 Nays - 0

Mayor Martin declared the meeting adjourned.

THESE MINUTES APPROVED BY COUNCIL ON THE 7th DAY OF NOVEMBER 2011.

Terry C. Schwerm
City Manager